

Fair Political Practices Commission

Memorandum

To: Chairman Getman and Commissioners Downey, Knox and Swanson

From: Galena West, Counsel
John W. Wallace, Assistant General Counsel
Luisa Menchaca, General Counsel

Subject: Cost of Living Adjustment for Campaign Contribution Limits and Voluntary Expenditure Ceilings: Adoption of Regulation 18545.

Date: November 22, 2002

Background:

Proposition 34 created contribution limits and voluntary expenditure ceilings for state candidates (Government Code sections 85301, 85302, 85303 and 85400).¹ Section 83124, added by Proposition 34, provides the FPPC with a statutory mandate to adjust the contribution limits and voluntary expenditure ceilings on January 1, 2003 to reflect changes in the Consumer Price Index (CPI). Section 83124 states:

"The commission shall adjust the contribution limitations and voluntary expenditure limitations provisions in Sections 85301, 85302, 85303, and 85400 in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index. Those adjustments shall be rounded to the nearest one hundred dollars (\$100) for limitations on contributions and one thousand dollars (\$1,000) for limitations on expenditures."

In August 2002, the Commission adopted regulation 18544, which created the formula for the cost of living adjustment of the contribution limits and voluntary expenditure ceilings. The formula is similar to the formula used for the biennial adjustment of the gift limit and is as follows:

$$\frac{X \times Y}{174.8} = Z \text{ (rounded to next \$100 for contribution limits; rounded to next \$1,000 for expenditure ceilings)}$$

X = Amount of Contribution Limit/Expenditure Ceiling in effect January 1, 2001;
Y = DOF September forecast of annual CA CPI -All Urban Consumers for year 2002;
174.8 = annual CA CPI- All Urban Consumers from 2000;
Z = Adjusted Contribution Limit/Expenditure Ceiling (Rounded to next \$100 or \$1,000)

¹ All references are to the Government Code unless otherwise indicated.

The California Department of Finance ("DOF") provides the CPI calendar year averages for all urban consumers. The DOF September forecast indicates an annual average calendar year CA CPI for All Urban Consumers for 2002 of 185.7. The annual average CA CPI for All Urban Consumers for 2000 was 174.8.

The adjusted contribution limits and expenditure ceilings were calculated using the formula adopted in regulation 18544 and inserted into regulation 18545. (Exhibit A.) The Commission considered proposed regulation 18545 in prenotice discussion in June 2002 and approved regulation 18545 for notice and comment. As of the date of this memorandum, no public comments have been received.

Effective Dates of Adjusted Contribution Limits and Voluntary Expenditure Ceilings

Pursuant to language in subdivisions (a)(1) and (a)(2) of regulation 18545, the adjusted contribution limit amounts and adjusted voluntary expenditure ceilings will apply to all state elections taking place during the two-year period from January 1, 2003 to December 31, 2004. The adjusted figures are shown in Exhibit A. For example, the new adjusted contribution limit of \$3,200 would apply to a special Assembly election occurring in February of 2003, even if fundraising started during the last months of 2002. Similarly, the current \$3,000 limit will apply for Assembly candidates who raise funds after January 1, 2003 to pay down debts from the 2002 election. This method of calculation was approved by the Commission at the August 9, 2002 Commission meeting as was discussed in the memorandum, *Proposition 34 Regulations: Adoption of Proposed Regulation 18544, Formula for Campaign Contributions and Voluntary Expenditure Limits COLA* (July 29, 2002).

Subdivision (d) of regulation 18545 requires that the adjusted contribution limit amounts and the adjusted voluntary expenditure ceilings continue to be applied to all state elections held after December 31, 2004, until the Commission readjusts the amounts to reflect changes in the Consumer Price Index. For elections held after December 31, 2004, if the amounts are adjusted upward, then the state candidate would be permitted to raise additional funds in the amount of the difference between the lower initial amount allowed and the new higher amount allowed. If the amounts are adjusted downward, then the state candidate would not be in violation of the new lower limits or need to return excess contributions received prior to the effective date of the newly adjusted lower limits and ceilings.

Staff Recommendation:

Staff recommends adoption of regulation 18545 at this time.

Attachments: Exhibit A
Regulation 18545